

explained that this competition for capital increases its price or the rate of interest at which it can be lent.

Thus again to summarise our results of observation during an era of expanding trade: (1) the profits of trading are utilised in the trades themselves; and (2) those who command the control of money employ it in advances (directly or indirectly as explained) at the higher rate of interest, which the competitive demand for capital in commercial transactions produces. These causes divert money from Stock Exchange investments, and hence the demand for those securities is relaxed.

Auxiliary to these influences come into operation two other sets of action in the same direction: (1) some of the more enterprising or thoughtless investors on the Stock Exchange dispose of their holdings under the seduction of the more advantageous rate of interest obtainable outside—oblivious of the fact that its duration is evanescent; and (2) persons who have purchased stock with borrowed money, when the rate of interest was low, are subject to intenser strain as the pressure of the rising rate of interest becomes weightier, and the dismal story is speedily ended by failure, and the sale of the securities they can no longer retain. For prices of investments, accordingly, the only fate is fall. If the owner of a commodity which he desires to sell finds buyers few, he must diminish his price to tempt a sale, and each reduction of the area of purchasers compels a corresponding abatement of his gains. And securities are but commodities, obedient to the same power of supply and demand. The wise and vigilant investor finds here an opportunity for profitable use.

The reader has simply to substitute a course of events of an opposite character to that depicted to perceive the influence upon investments of a dwindling and unprosperous volume and state of trade.

The condition of trade may be deciphered in various ways.

The Board of Trade returns of the extent and values of exports and imports present the magnitude and vigour or the restriction and inactivity of our commerce

in their larger or lessened totals. A prominent index is thus gained to the prosperity or adversity of the nation as a whole.

In examining these statistics for guidance as to the commercial condition of the country, it is necessary to regard the